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PROGRAMME PLANNING: COUNTRY AND INTERCOUNTRY PROGRAMMES AND PROJECTS

FOURTH COUNTRY PROGRAMME FOR VIET NAM

Programme period	Actual resources programmed	$
January 1992-December 1996	Carry-over from fourth cycle IPF 1992-1996	(6 200 000)
	Other resources programmed	92 774 000
	Total	86 574 000

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I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

A. Socio-economic situation

1. The Vietnamese economy has an excellent potential for growth, given the fertile soils, abundant mineral and water resources of the country, its strategic location in South-East Asia, and a highly educated and disciplined labour force. This potential has been garnered by an economic reform process which began in the late 1980s and is part of the "Doi Moi" (renovation) policy, formally adopted in 1986, under which the centralized command economy system is to be replaced by a market-based system.

2. In late 1990 and early 1991, past and current economic reform measures had begun to reach their limits, with difficulties emerging in certain branches of industry and inflationary pressures resurfacing. The present challenges have a deeper and more structural content than could be tackled by the initial reforms; additional measures are now required to deal with them and to maintain the momentum of renovation.

3. These "second-round" issues are undergoing examination and debate and include the restructuring and the establishment of new management mechanisms in the State enterprise sector and a reduction in the scope of that sector; the strengthening of the enabling environment for the private sector; a consolidation of the banking reform; the further development of an appropriate legal system for a market economy open to foreign investment; establishing a management structure and training of the staff of key institutions to formulate and implement indirect macroeconomic policies to replace the command economy system; public administration reform; the liberalization of the labour market; and laying the basis for realizable social and poverty alleviation programmes. Successful changes in many of these areas will require strengthening the infrastructures for economic activities, especially transportation, energy and communications.

4. Past military conflict engaging two generations has had a deep impact on economic performance, as resources and efforts were concentrated on overriding national priorities. Economic viability considerations were not prominent on the national agenda. As a consequence, Viet Nam began its economic reform process with a gross domestic product (GDP) estimated at about $12 billion with a population of 65 million.

5. A number of bold economic reform steps have been taken up to mid-1991, examples of which include: (a) the effective floating of the currency; (b) the introduction of banking system reforms; (c) fiscal reforms; (d) a reform of the land tenure system; and (e) the development of laws and administrative systems to govern the establishment of businesses and commercial transactions in a market economy.

6. The positive result of the economic reform process was first evident in the 6 per cent growth rate in 1988. The growth rate in 1989 was 2 per cent as

stabilization measures took full effect and inflation was drastically reduced, while in 1990 growth was 2.9 per cent based on the net material product. Employing preliminary estimates on a system of national accounts basis shows a growth rate of 6 per cent in 1988, one of 8 per cent in 1989, and 6.4 per cent in 1990; much of this was due to the rapid expansion of the service sector, which peaked at 21 per cent in 1989.

7. Since the initial economic reforms had a direct impact on Viet Nam's employment levels, effort needs to be devoted to job creation: every year about 1.7 million people seek employment, including first time entrants into the labour market. In addition, the soldiers returning from Cambodia in 1989 and the recent large-scale demobilization increased the number of underemployed and unemployed. Efforts will also have to include absorbing contract workers who were forced to return from Eastern Europe, the Soviet Union, and from Western Asia, beginning in the second half of 1990.

8. In 1990, the external and internal balances remained strained. The current account deficit in convertible currency was $640 million, compared to $550 million in 1989; in non-convertible currency it was 510 million roubles. A rapid shift in the pattern of trade, away from the non-convertible area towards the convertible area, is evident and this has strong implications for domestic businesses and for export development strategies. The Government budget in 1990 was in deficit to the amount of 20 per cent of the national income, compared to 24.5 per cent in 1989. The projection for 1991 is a 17.3 per cent deficit, as measures on both the revenue and expenditure sides become more effective. The external debt stands at 10.9 billion roubles to the non-convertible area and $2.8 billion to the convertible area. Of the latter, $2.2 billion relate to Government and $0.6 billion to commercial debt.

9. Agricultural production provides a livelihood for two thirds of the labour force and accounts for 30-40 per cent of export earnings. In 1989, as a result of a very good harvest, the country exported about 1.4 million tons of rice, making it the third largest exporter in the world that year. This performance was maintained in 1990, with exports of 1.5 million tons. While industrial performance has been mixed in recent years, light industries grew about 10 per cent annually and the share of private enterprises in its output value has doubled since the mid-1980s, to about one third of the total.

10. A new foreign investment law, promulgated in 1988, sets liberal investment conditions and offers financial incentives, as well as provision for full profit repatriation and guarantees against nationalization. As of 31 August 1991, some 300 joint venture projects, with a value of over $2 billion, had been licensed (the major portion in oil exploration) but actual investment inflows are slow in being realized and at the end of August 1991 stood at some $500 million.

11. The labour force is approximately 33 million, of which 3.7 million are in the state sector and 230,000 are civil servants. Unemployment is increasing as a consequence of economic reforms. Wages remain very low, while subsidies are being cut in many sectors (housing, water, health, education, etc.). This

is leading to a situation where many of the egalitarian benefits developed in recent decades in education, health and culture may be severely eroded. Ameliorative measures now under way include the introduction of a labour code, a personal income tax system, and social security and occupational health measures. With regard to employment, various initiatives are being taken in the fields of education, training and job creation.

12. Large-scale degradation of Viet Nam's environment began during the war years with the use of chemicals as defoliants. The initial and immediate effect of defoliants was to destroy standing forests; the long-term effect was to poison the surrounding land and water resources and the ecosystems they supported. Natural disasters, the energy needs of a rising population, exploitation of natural resources to meet the demands of agriculture and industry, and Viet Nam's economic situation have all added to the damage. Therefore, environmental degradation such as deforestation, urban and industrial pollution, dwindling wetlands and pollution of marine resources is progressing rapidly. A national environment action plan was drafted in late 1990 with the assistance of UNDP and the Swedish International Development Agency (SIDA), and a national environmental protection law is being prepared.

13. Various capacity-building measures have been undertaken in order to support effective macroeconomic management for a smooth transition to a market-oriented economy. These include a number of comprehensive sector studies and master plans, programmes of training and institutionalization of reform processes.

B. National development objectives and strategies

14. Viet Nam's Five-Year Socio-Economic Development Plan 1991-1995 is being finalized during 1991. Given the current economic reform process, this Plan departs somewhat from the previous five-year plan, since it is the first which aims explicitly to support the transition to a market-based economy, with indirect macroeconomic management and guidance by the State.

15. The Plan is formulated at a time of dramatic shifts in Viet Nam's external economic relations. As a member of the Council for Mutual Economic Assistance (CMEA), Viet Nam benefited from arrangements which included aid and concessional loans, centrally organized barter trade and coproduction arrangements and access to important raw materials such as fertilizers, insecticides, steel, refined petroleum products and cotton at less than world prices and through clearing arrangements which permitted the accumulation of arrears. However, the Council was abolished on 26 September 1991, and company-to-company contracts at world market prices, denominated in convertible currencies, are being adopted. Nevertheless, some elements of economic aid programmes continue, particularly from the Soviet Union. The 1991-1995 Plan has therefore to address simultaneously the shift in external economic relations as well as the consequences of domestic economic reforms.

16. Recognizing the initial success of the reform process, but also the severe socio-economic strains now emerging, the overall objective of the 1991-1995 Plan is to stabilize the socio-economic situation in order to lay the foundation for accelerated growth. Stability is being sought in the context of continued economic reforms, increasing industrial and agricultural output, firm financial and monetary policies, and the final abolition of the pervasive subsidy system.

17. The principal economic targets are to diversify and raise the production of staple and processed foods; to increase the availability and choice of consumer goods; and to expand exports. Specific Plan targets include achieving an average annual economic growth rate of around 5 to 6 per cent, with the industrial sector growing at 6 to 7 per cent and agriculture at 3.5 to 4 per cent. Exports are projected to more than double, with a substantial contribution from the petroleum sector. It is hoped that the population growth rate will be reduced by 0.06 percentage points per year; however, the labour force will continue to grow at an average rate of 2.75 per cent per year during the Plan period.

18. Among the Plan (1991-1995) priorities the following areas need external assistance:

(a) Infrastructure development in energy and power generation, water resources, land, water and air transport networks, telecommunications and tourism;

(b) Adoption of technological improvements in small- and medium-scale enterprises in agriculture, fisheries, livestock, consumer goods, forestry and natural resources, mechanical engineering, electronics, and other export-oriented sectors;

(c) Improving the educational system, including vocational training, retraining and upgrading current skills, and promoting non-State educational institutions;

(d) Development of the legal infrastructure for economic activities, restructuring the ownership of State enterprises to attract private capital and improving capabilities in the social sciences to support economic policy-making;

(e) Development of the health care system while at the same time enhancing its financial situation through community participation and user charges;

(f) Establishing/consolidating environmental and natural resource management coupled with large-scale reafforestation.

19. The estimated total investment needs for the period covered by the Plan amount to some $6 billion. External resource inflows are hoped to total almost $5 billion, distributed as follows: direct foreign investment:

$2 billion; concessional loans: $2 billion-$2.2 billion; grants (multilateral and bilateral assistance): $650 million-$800 million.

The present aid volumes are some $150 million per year from non-CMEA sources, and some $200 million-$300 million per year of Official Development Assistance (ODA) from CMEA sources (but the latter is likely to diminish during the Plan period). Thus, while there is a large gap between current flows and the Plan's projected requirements for concessional aid over the five years, the overall requirement is reasonable and is more conservative than the projection of needs made in the major UNDP/State Planning Committee study "Report on the Economy of Viet Nam" (December 1990). That report projects an annual requirement for concessional flows from non-CMEA sources at $400 million-$600 million initially, rising to $1.2 billion-$1.4 billion in the fifth year, resulting in a total of some $5 billion (versus $3 billion in the Plan).

II. EXTERNAL COOPERATION

A. Role of external cooperation

20. The support previously coming from CMEA countries is falling rapidly. Other assistance comes from the United Nations system and from a small group of Development Assistance Committee (DAC) donors, of which as of mid-1991, only few had aid programmes of any financial magnitude. There is a small, but growing, foreign NGO presence. Technical cooperation is thus limited to very few partners, which means that the UNDP programme has a particular significance and impact.

21. The Government will require technical cooperation in:

(a) The economic reform process and the expansion and broadening of external trade;

(b) The transfer and application of appropriate technologies, with particular focus on the absorptive capacity of recipient institutions and the sustainability of the modern technologies;

(c) Human resource development and employment promotion, including poverty alleviation, with special focus on grass-roots participation, with particular attention to underprivileged groups such as women, youth, ethnic minorities, the handicapped, displaced persons and returnees;

(d) The management and utilization of natural resources;

(e) Environmental and human settlements management.

22. In the fourth country programme, complementary activities will be planned for funding by other donors - in many cases directly and in some cases on a cost-sharing basis. For example, economic reform and management development

should continue to benefit from assistance from other donors, including Australia, France and Sweden. In addition to commercial interests, coordinated donor inputs should be developed for the improvement of economic performance in sericulture, energy planning and development, fisheries and forestry areas where France, Italy, Sweden, New Zealand and the Soviet Union have been active. The National Environment Action Plan and Tropical Forestry Action Plan, which have benefited from cost-sharing funds from Sweden and New Zealand and associated aid from the Soviet Union will require substantial additional funding from these and other sources including the Asian Development Bank (AsDB), World Bank and other bilateral funds when they become available. In the field of human development, where UNDP involvement is just beginning, UNDP should actively seek additional funding from bilateral aid, NGOs and other sources, to assist in educational reform and human resources development, poverty alleviation (including assistance to ethnic minorities, disadvantaged regions from which there has been economic migration and returning boat people), employment and income-generation as well as credit schemes.

B. Aid coordination arrangements

23. Since 1990, the focal point for UNDP assistance has been the State Planning Committee. This has the advantage of putting the programming of UNDP assistance directly within the planning system. The State Planning Committee is also assigned the coordinating role with respect to the World Bank and AsDB, which are yet to recommence assistance, and it has an increasing role in programming bilateral assistance. In the programming of technical assistance, the State Planning Committee coordinates with the State Committee for Science, the Ministry of Finance, and the Ministry of Foreign Affairs, as well as with the line ministries concerned.

24. Given the Government's intention to restructure further its aid management and coordination process, a unique opportunity now exists to get into place an overall system which can effectively deal with the large increases in official development assistance (ODA) which are hoped for in 1991/1992 and beyond. The Government will therefore take further steps to organize an effective aid management and coordination system and to staff it adequately. UNDP has assisted and will continue to assist in this process.

25. UNDP serves as a focus of policy dialogue with the Government on the economic reform process. This is because the International Monetary Fund (IMF), the World Bank and AsDB do not have active programmes in Viet Nam although they have had a high rate of visiting missions to prepare for lending programmes which it is hoped will soon resume. The UNDP field office has, on many occasions, supported these efforts and has associated the World Bank in particular with its programmes, especially for surveys and sector reviews. UNDP is requested to continue to use its good offices to facilitate and develop further the current consultations with multilateral and bilateral aid agencies and financial institutions. as well as with non-governmental organizations (NGOs).

26. The State Planning Committee and UNDP have begun preparations for holding a donor round-table meeting. The "Report on the Economy of Viet Nam" was published in 1990 as a preparatory step. As and when conditions are suitable for the convening of a round-table meeting, a supplement to this Report will be prepared and a more detailed analysis and presentation of specific aid requirements will be made. The round-table presentations are expected to also draw on the analytical work of the World Bank and the IMF.

III. THE COUNTRY PROGRAMME

A. Assessment of previous and ongoing country programmes

27. Viet Nam's first country programme covered the period 1977-1981, and focused on establishing the basic infrastructure and facilities for undertaking research and investigations related to productive activities. The second country programme (1982-1986) showed some change of emphasis towards the industrial sector, trade promotion, and the promotion of science and technology. Overall, the agricultural, forestry, and fisheries sectors dominated the second programme. The emphasis of the third country programme (1987-1991) was on institution-building, the application of science and technology to all sectors of the economy, and the development of human resources. Activities were focused on five major areas: increasing food production; meeting other basic needs; assessing and exploiting natural resources; improving the efficiency of industrial and other investments; and developing foreign trade.

28. The first three country programmes enhanced national capabilities in conducting basic and applied research and providing effective extension services of such vital centres as the National Institute for Agriculture Planning and Projections in agricultural planning, the Forest Science Institute in forest genetics and trials and the Hydraulic Research Institute in hydrological and morphological studies. In other sectors, an extensive scientific information network has been established that has helped to rationalize and act as a clearing house for major scientific activities in Viet Nam. The capabilities of some important services and centres have been radically enhanced, e.g., the Hydrometeorological Services in Hanoi and the Civil Aviation Training Centre in Ho Chi Minh City. Similarly, Viet Nam has obtained an important repository of patent information on inventions. The results obtained from various pilot plants have helped to define a number of technologies which are appropriate for Viet Nam and have created favourable conditions for investment. Examples include high tension capacitors, sponge iron, essential oils, and map printing. Standardization, measuring and quality control have been significantly improved. The most important achievement has been the creation of more than 6,000 well-trained Vietnamese cadres who have been able to obtain advanced knowledge of technical and managerial skills for development purposes through overseas training. Based on available information, some 100,000 persons have received structured training through in-country workshops, seminars and on-the-job programmes held during the first three country programmes. National capacity-building and

capacity-strengthening has been a strong theme in all UNDP-supported activities. This is particularly significant for the success of the economic reform process.

29. The mid-term review of the third country programme took place in late 1989, together with reviews of the programmes of the United Nations Children's Fund (UNICEF), the United Nations Population Fund (UNFPA) and the World Food Programme (WFP). It was found that the third programme had, in general, followed its planned course, but that certain shortcomings and bottlenecks had emerged. Some of these shortcomings were pervasive in the past but are presently being addressed: project design problems such as the undercosting of inputs and lack of definition of institutional contexts; non-fulfilment of prior obligations and prerequisites; late arrivals of Chief Technical Advisers (CTAs); and the lack of project management experience. They also include shortcomings that have persisted and for which corrective measures are under review: lack of foreign language proficiency; inability of Government to meet budget contributions as well as sustainability problems due to counterpart financial difficulties.

30. In the later years of the third country programme, a notable feature has been the large number of sector studies and master plans for which UNDP assistance was sought. These assist the new style of macroeconomic management, now being introduced, since they bring internationally accepted methodologies to bear on development issues in high-priority fields. Sectoral studies were completed, under way or planned as of mid-1991 for: agriculture, forestry, human settlements, industry, transport, civil aviation, energy, education, telecommunications, posts, tourism, external trade, informatics and the master plans for the Mekong Delta, Red River Delta, and Quang Ninh Province.

31. In fact, since the mid-term review, programming decisions taken in 1990 and 1991 have been more influenced by the likely parameters of the forthcoming fourth country programme than by the third country programme document. This is because of the need to focus strongly on the economic reform process and the related human development issues which emerge more clearly as that process unfolds. Steps are also under way in 1991 to proceed towards a programme-oriented approach and to begin national execution.

B. Proposals for UNDP cooperation

32. When the fourth country programme was being prepared, the national Five-Year Plan for 1991-1995 was not yet in a definitive form; however, the basic orientations noted in paragraphs 14-19 above were not expected to change significantly.

33. With a negative carry-over from the third programme of $6.2 million, the indicative planning figure (IPF) available for the fourth country programme will be $86.6 million. The Government wishes to review the IPF allocation since it is based on an assumed gross national product (GNP) per capita,

previously indicated by the World Bank as $250 for 1989, which, according to recent recalculations (supported by a UNDP project on national accounts) has been shown to be too high: current estimates now also confirmed by the World Bank put the GNP per capita figure at about $190. In addition to the fourth programme IPF resources, some $12 million are available, mainly from the Global Environment Facility (GEF), the programmes of the United Nations Capital Development Fund (UNCDF) and the United Nations Development Fund for Women (UNIFEM). This brings the total resources to $98.6 million, of which $43.6 million (including $9 million from the IPF) has been committed to activities that are ongoing, recently approved, or shortly to be approved. With the exception of a few of the projects approved in 1988 and previous years, which will end in the early part of the fourth programme period, these commitments largely fall within the four major programme areas identified in paragraph 35 below. This means that $55 million will be available for additional programming in 1992-1996.

34. Since Viet Nam's need for external assistance greatly exceeds UNDP resources, many of the needs identified in paragraphs 44-61 will have to be supported by other donors. UNDP and the Government will also appropriately access other non-IPF sources of funds such as those from: Special Programme Resources (SPR); UNCDF; Project Development Facility (PDF); United Nations Volunteers (UNV); UNIFEM; GEF; and the United Nations International Drug Control Programme (UNDCP). Viet Nam will also fully participate in and benefit from UNDP global, interregional, regional and subregional projects whenever possible and useful, particularly to strengthen ongoing national projects. For example, Viet Nam will continue to take advantage of information and experience from Mekong Committee programmes, regional and subregional activities in economic reform and management, human development, environment and natural resource management.

Objectives

35. As one of the primary development partners in Viet Nam, UNDP has had, and will continue to have, a special role to play in assisting the Government in its economic development activities. The fourth country programme areas outlined below reflect support for a selection of Plan goals for which UNDP is particularly able to provide assistance in the context of UNDP policy guidelines. The areas of technical cooperation required by the Government (paragraph 25) may be addressed in the UNDP context by: (a) support for the economic reform process; (b) sustaining and strengthening of economic performance; (c) support in key human development fields; and (d) support for environmentally sustainable growth and human settlements development.

36. The Government expects to harness further the comparative advantages UNDP possesses in order to facilitate the smooth transition from a centralized command economy to a market-oriented economy. These advantages are, among others, the neutrality and flexibility of the UNDP integrated and multidisciplinary approach to address various aspects of the economic reform process, including reform of the financial sector, the legal and administrative framework and development of the non-State sector.

37. However, the Government is also extremely concerned about the danger of losing social benefits acquired with much difficulty. In this connection, a recently prepared strategy for socio-economic stability and development till the year 2000 ensures the participation of the population in the reform process with the requisite benefits secured. The success of assistance in economic reform and social development will ultimately result in increasing GDP by 1995 to between 1.2 and 1.4 times that of 1990; reducing the illiterate population by 200,000 persons per Plan year; increasing the daily caloric intake to about 2300 Kcal; ensuring primary health care for all; reducing childhood malnutrition from the present 55 per cent of children affected under the age of six to 35-40 per cent; extending access to safe water from the present 30 per cent to 40-45 per cent coverage of the rural population and from the present 60 per cent to 70-75 per cent coverage of the urban population; and absorbing about 6 million new entrants in the job market out of the projected 7.5 million new entrants expected during the Plan period.

38. Over the whole fourth programme period, it would be desirable to use IPF resources as follows:

	Percentage
Support for the economic reform process	30
Sustaining and strengthening of economic performance	30
Support in key human development fields	20
Support for environmentally sustainable growth and human settlements development	10
Other	10 a/

a/ Represents the conclusion of important projects from the third country programme not falling directly into one of the four programme areas and which will be completed early in the fourth programme, as well as a reserve for small-scale high-priority activities.

Support for the economic reform process

39. Cooperation in the economic reform process concentrates on assistance in economic policy formulation and implementation and will include a review of the operations of State enterprises, leading to reforms in a sector which is one of the major constraints of the economy. A particularly significant feature will be strengthening the enabling environment for the private sector, which is now fully recognized as an economic actor on par with the State, cooperative and household sectors.

40. The Management Development Programme (MDP), begun in 1989 with a UNDP budget of $2.5 million as of 1991, will remain a cornerstone of UNDP support for the economic reform process. It covers policy advice, middle and high-level training and exchanges of experience, including technical cooperation among developing countries (TCDC), with other countries of the region where feasible, public administration reform, and development of the legal system. Additional funds will be sought as needed for these activities. Other central efforts include support for the State Planning Committee to adapt its functions to a market economy; support to the Ministry of Finance and State Bank in the reform of the Government's financial system and also to modify the roles of these institutions; support for the establishment of a project evaluation unit to serve the Central Government (in the State Committee for Cooperation and Investment); and assistance in attracting foreign investment.

41. Related efforts will include assistance to the General Statistics Office in switching from the net material product system to the United Nations system of national accounts (one important consequence is to give full recognition to the contribution of the service sector and to include better estimates of private sector and informal sector economic activities); foreign trade strategy development, which is particularly important since the break-up of the previous CMEA trading patterns; petroleum and mineral legislation to ensure optimum exploitation and full national benefit from these important resources; and the elaboration of a labour code.

42. Further areas for UNDP support will include the identification and strengthening of institutional and management mechanisms of central importance to the reform process; the strengthening of tertiary and in-service training facilities for economics, administration, and business management; supporting measures to improve the functioning of markets in goods, services, and labour; technology, development policies; upgrading the customs services; and policy advice on the nature of essential pricing interventions.

43. Close collaboration already exists in the above economic fields with a major bilateral donor and cooperation has begun with a second. The former will take a particular interest in enterprise management training for both the State and private sectors and both are likely to assist in developing the legal infrastructure. UNDP cooperation will also be used for aid management and coordination.

44. Primary indicators of achievement will be a significant increase in the number of middle and high-level Government officials familiar with the principles of a market economy and its regulatory and monitoring mechanisms; the existence of a self-sustained project evaluation unit; the switch to the United Nations system of national accounts; the implementation of a well-balanced foreign trade strategy, of a labour code, and of an oil and mineral exploration legislation that is oriented towards the protection of the environment. Related bilateral donor supported activities contributing to the achievement of programme goals will be closely monitored and taken into account when reviewing the success of the programmes.

Sustaining and strengthening of economic performance

45. Major emphasis in this programme area will be given to the implementation of activities to strengthen the economic infrastructure, including the analysis, planning, and transfer of appropriate technology. Improvements in transportation and communications as well as in power systems, both in terms of investments and organization, are urgent since these now present an immediate constraint to increasing foreign capital investment and overall economic growth.

46. UNDP cooperation in the principal production sectors, industry and agriculture, dominated the previous country programmes. Bottlenecks and constraints in industry and agriculture will be identified and their activities will now be rationalized and focused primarily on export products and secondly on raising the quality and diversity of domestic consumer products in support of commercial large-scale manufacturing as well as of the family farm, which is the predominant mode of agricultural production. The Government will actively draw on the regional experience through TCDC in both the private and the public sector.

47. Agricultural production will be expanded to maximize benefits for household farmers. Planned activities include investments in those industrial crops which have a long-term potential for growth; strengthening the financial and managerial systems of the agricultural banking and credit systems and agro-industrial enterprises, particularly in the livestock (poultry, beef, pig) sector; developing new water resources for increased irrigation in the Red River and Mekong Deltas, for which master plans are either currently under way or in preparation; and expanding freshwater and marine fisheries for small villages. In conjunction with the tropical Forestry Action Plan and the National Environmental Action Plan, UNDP technical cooperation will be sought in support of the planned reforestation programme for the planting of 150,000 ha/year for productive and protective purposes. Some UNDP-funded assistance will be nationally executed.

48. Cooperation in the industrial sector will include a sector review and continuous support for the improvement of the quantity, variety, quality and presentation of products, especially those for export; the introduction of international standards; and the familiarization of enterprise managers with international management practices. Attention will also be given to the improvement of domestic products through improvements in production technologies and better use of locally available raw materials. Special attention will be given to private enterprises, especially in agricultural processing. Support will be given to the development of programmes in textiles, especially cotton and silk, from cultivation to the export of finished products.

49. Much remains to be done in identifying Viet Nam's abundant and varied mineral resources. UNDP cooperation will be sought to complete this task. Assistance will also be given to developing better, environmentally sound technologies for mineral extraction and processing which also pay adequate attention to workers' health.

50. Success indicators will include significant measurable increases in the export value of industrial and agricultural products; considerable improvements in the quality and internal market acceptance of domestic consumer products and in the availability of credit to small-scale private investors in the agriculture, industry and service sectors.

Support to key human development fields

51. The development of human resources and employment cannot be dissociated from UNDP support for the economic reform process. Intensive consultations with the International Labour Organisation (ILO) and other agencies are under way in 1991 to plan a major employment and human resource development strategy for implementation during the fourth country programme. This programme will concentrate on support in two ways: through the development of sound and effective decision-making processes, policy formulation and planning systems; and through action-oriented interventions.

52. The first category relates to policy and planning and includes educational reform and planning; labour policy and planning; manpower planning; social security system rationalization and development; the strengthening of social statistics methodologies and analysis; and women-in-development policy development and gender-responsive planning.

53. The second category includes the strengthening and diversification of vocational training and re-training; the development of the small-scale and informal sectors; poverty alleviation, using area-focused and grass-roots interventions in collaboration with NGOs and United Nations Volunteers wherever possible; the establishment of an inventory of traditional handicrafts and the exploitation of their commercial potential. In both the first and second categories of activities, special consideration will be given to underprivileged groups such as women, youth, ethnic minorities, the handicapped, displaced persons and returnees. Attention will also be paid to actions to be taken at the inter-agency level as a consequence of the World Summit on Children.

54. An important preparatory exercise in the field of human development is the education sector review, to be completed in early 1992. While the literacy rate is high, the educational system should be updated and reoriented to the future needs of different economic sectors, based on an analysis of the human resources required for these sectors. Current support to the National AIDS Committee may be further strengthened.

55. In many circumstances, identified areas of assistance will overlap and strengthen one another. As a result, a part of IPF resources allocated to support for the economic process and support in key human development fields (see paragraph 38) will be directly complementary.

56. The main targets or success indicators will be the completion of a comprehensive educational sector review and the gradual implementation of a market-oriented education reform; the build-up and implementation of a social

security system; the gradual reduction of the unemployment rate; and the stabilization of the current high literacy rate.

Support for environmentally sustainable growth and human settlements development

57. One of the major goals of this programme is to invoke greater environmental management considerations and to support environmentally sensitive grass-roots initiatives in Viet Nam's development plans by strengthening and rationalizing the relevant juridical and legislative framework. The UNDP-supported National Conference on the Environment and Sustainable Development in 1990 laid the groundwork for a wide range of national and externally supported interventions in key economic sectors which both affect, and are affected by, environmental factors. Topmost priority has been accorded to the water resources and forestry sectors as they are subject to environmental degradation. Environmental priorities have been set for two consecutive five-year periods and are now to be followed by detailed proposals. These proposals will be added to the National Environmental Action Plan and circulated to donors; the objective is to enable donors to choose projects in concert with their own priorities and budgets.

58. There are sectoral laws covering management of forests, water resources, minerals and land use, but the emphasis is on utilization rather than rational management and there are no laws on environmental standards, industrial emissions and assessment of the environmental impact of development projects. Moreover, existing laws lack enforcement mechanisms. Environmental status assessments and impact assessments will be introduced and enforced, especially in areas such as forestry, integrated watershed management and marine pollution (with emphasis on oil spills). Training and studies in environmental methodology will be carried out to underpin the promotion of public awareness and to assist in the development of appropriate laws and regulations. In this connection, the GEF will fund a project to provide extensive training for the management of Viet Nam's most important national park. Related interventions will include an expansion of assistance to disaster-preparedness and management activities, along with relief operations, whenever required.

59. An equally important component of this programme area will be geared towards direct UNDP cooperation in improving the physical quality of life through grass-roots initiatives. The quality of the physical infrastructure for human settlements in Viet Nam, both urban and rural, is seriously deficient. For example, the average living space per person in urban areas is only 4 square metres and sewerage and solid waste disposal deficiencies present a very serious health hazard. In rural areas, potable water is available only to an estimated 30 per cent of the population; housing is often of very low quality; social and economic infrastructures are very poorly developed. Both overall planning and support for grass-roots initiatives to improve the physical quality of life are important human development concerns. Special attention will be given to the social development needs of the 8 million minority people in the mountainous areas. Rural infrastructures

and services need to be addressed in order to forestall the likely pressures for population drifts to the towns as the economy develops (at present, Viet Nam is only 20 per cent urbanized). A number of activities, including methodologies for planning and development in rural areas and in urban habitation systems are under way and several will continue into the fourth country programme. Others will be developed during 1991, and will form core activities around which a UNDP-financed programme approach to human settlements development will be put in place.

60. Primary success indicators will be the introduction of laws on environmental standards and related enforcement mechanisms; a sizeable reduction of yearly losses in the country's forest area; an improvement in the standard of living of minorities; a measurable increase in the average living space per person and in housing quality coupled with a reduction of expected high-level population drifts from rural areas to towns.

C. Implementation and management arrangements

61. UNDP cooperation will be implemented with greater effectiveness through a process of adoption of a programme approach in a gradual and deliberate manner, in order to achieve a smooth transition from the present project-driven approach. Support for the economic reform process is already, in 1991, being given in a coherent and programmatic manner, through projects which represent a cluster of interrelated yet mutually reinforcing interventions in this area of concentration. Support for environmentally sustainable growth and human settlements development to be designed early in the fourth country programme will be similarly handled.

62. The Government expects UNDP cooperation to be guided by General Assembly resolution 44/211 of 22 December 1989 and Governing Council decision 90/34 of 23 June 1990 on the fifth programming cycle. However, the move to a national programme approach involves some conceptual re-orientation of the UNDP programming process in Viet Nam, which will take time for all parties to adapt to. Initially, it is also hampered by the lack of five-year and annual plans and budgets constructed in such a way as to give clear indications of capital and recurrent resource availabilities in sectors, subsectors, and priority activities, and the inadequate integration of external flows into the planning and budgeting process. Therefore, UNDP cooperation must initially focus on achieving coherence and synergy both internally and in relation to identified national efforts and other external support. Major attention will have to be given to assisting the authorities in identifying and rationalizing national efforts in the chosen areas.

63. National execution will be the chosen modality or about one sixth of the fourth country programme. Several constraints such as inappropriate regulations and procedures, lack of exposure to international banking systems and lack of familiarity with international procurement procedures of goods and services have hindered the development of national capacities. However, the Government has initiated several measures to address these concerns, such as

the formation of a national expert group to assist in formulating policies and guidelines on national execution, the establishment of an organization to provide technical support services for nationally executed programmes, and training programmes for central and line ministry authorities in financial and administrative matters of this modality. In 1990, a manual in Vietnamese on UNDP procedures became available for national officials dealing in programme implementation.

64. Two closely related modalities should be emphasized because of their potentially significant impact on Viet Nam's circumstances: the Transfer of Knowledge through Expatriate Nationals (TOKTEN) and TCDC. There are large, successful ethnic Vietnamese communities concentrated in a few countries, and many of them are motivated to keep contact with Viet Nam and contribute their skills, as well as capital in some cases. Also, the economic and technological experience of the south and east Asian countries in particular are of potential interest to Viet Nam. Various twinning arrangements have been established with regional training institutions such as the Asian Institute of Technology, the Asia-Pacific Institute for Broadcasting Development and the Asian and Pacific Development Centre and preference is often given to recruiting experts from the region in national projects. The use of the UNV, United Nations International Short-Term Advisory Resources (UNISTAR) and NGO programme implementation modalities began in 1990-1991 and is expected to expand considerably.

65. All of these modalities will enhance the Government's direct participation in programme design and implementation and in the overall management of the development process.

66. Success indicators have been specified for UNDP cooperation in each area of concentration. They will add objectivity to the continuous efforts of programme monitoring and evaluation and constitute an important tool during the mid-term review, especially when taking into account related donor support activities contributing to the achievement of programme goals.

Annex I

FINANCIAL SUMMARY

I. ESTIMATED RESOURCES (IPF + cost-sharing) TAKEN INTO ACCOUNT FOR PROGRAMMING

(Thousands of dollars)

Carry-over from fourth cycle IPF	(6 200)	
Fifth cycle IPF	92 774	
Subtotal IPF	86 574	
Project cost-sharing (Government)	-	
Project cost-sharing (Third Party)	-	
Programme cost-sharing	-	
Subtotal cost-sharing		-
TOTAL		86 574

II. ALLOCATION OF RESOURCES (IPF + cost-sharing) BY AREA OF CONCENTRATION

Area of concentration	IPF	Cost-sharing	Total	Percentage of total resources
Support for the economic reform process	25 972	-	25 972	30
Sustaining and strengthening economic performance	17 316	-	17 316	20
Support in key human development fields	25 972	-	25 972	30
Support for environmentally sustainable growth and human settlements development	8 657	-	8 657	10
Subtotal	77 917	-	77 917	90
Unprogrammed reserve	8 657	-	8 657	10
TOTAL	86 574	-	86 574	100

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III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES USED IN AREAS OF CONCENTRATION

(Thousands of dollars)

A. UNDP-administered funds	
UNCDF	8 000
UNSO	-
UNIFEM	200
UNRFNRE	-
UNFSTD	-
Subtotal	8 200
B. Other United Nations resources	
JCGP participating agencies:	
UNFPA	-
UNICEF	-
WFP	-
IFAD	-
Other United Nations agencies (non-UNDP financed)	-
Global Environment Facility	2 800
Subtotal	2 800
Total non-core and other United Nations resources	2 800
C. Non-United Nations resources	-
TOTAL	11 000

Annex II

PROGRAMME MATRIX

Area of concentration	Area of focus*					
	Poverty eradication and grass-roots participation	Environment and natural resource management	Management development	TCDC	Transfer and adaptation of technology	WID
I. SUPPORT FOR ECONOMIC REFORM PROCESS						
Overall policy advice and training	*	*	*	*		*
Public administration			*			*
Development of legal system			*	*		*
Banking and public finance reform			*			
State enterprises reform		*	*	*		
II. SUPPORT IN KEY HUMAN DEVELOPMENT FIELDS						
Education sector review	*			*		*
Labour policy and planning	*	*				*
Social security system development	*			*		*
Vocational training	*				*	*
Ethnic minorities	*	*		*		*
Resettlement of returnees	*					*
III. SUSTAINING AND STRENGTHENING ECONOMIC PERFORMANCE						
Agricultural banking and credit systems	*		*			
Marine and freshwater fisheries	*	*			*	
Reafforestation	*	*		*		
Industrial sector review			*			
Exports products development			*		*	
Infrastructure improvement			*			
IV. SUPPORTING ENVIRONMENTALLY SUSTAINABLE GROWTH AND HUMAN SETTLEMENT DEVELOPMENT						
Laws and regulations on environmental standards, industrial emissions, marine pollution		*		*		
Disaster-preparedness	*	*	*			
Human settlements development	*	*	*	*		*

* Asterisks indicate major linkage only.

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PROGRAMME PLANNING: COUNTRY AND INTERCOUNTRY PROGRAMMES AND PROJECTS

FOURTH COUNTRY PROGRAMME FOR VIET NAM

Note by the Administrator

I. PREPARATORY PROCESS

1. The programming exercise for the fourth country programme began with the mid-term review of the third country programme in November 1989. Reviews of the programmes of the United Nations Children's Fund (UNICEF), the United Nations Population Fund (UNFPA) and the World Food Programme (WFP) took place simultaneously. This exercise identified certain shortcomings and bottlenecks in the third country programme, which led to recommendations for operational improvements and assistance to the Government's new macro-economic management activities in several high priority fields. While the original strategy of the third country programme was generally maintained, the accelerating pace of the economic reform process clearly had an increasing impact on programming decisions in 1990 and 1991. During the past two years, new activities have focused on support for economic reforms, the central theme for the fourth country programme.

2. The UNDP advisory note was accepted by the Government as the basis for developing the fourth country programme. During the programming exercise, the Government further elaborated the main thrusts proposed in the note (support for economic reform and key human development actions) as follows:

(a) Support for the economic reform process;

(b) Sustaining and strengthening economic performance;

(c) Support in key human development fields;

(d) Support for environmentally sustainable growth and settlements development.

3. These four programme areas emerged through a series of consultations with the Government, during which Viet Nam's draft Five-Year Plan 1991-1995, and the technical cooperation priorities emerging from that draft, were discussed in the context of General Assembly resolution 44/211 and Governing Council decision 90/34 of 23 June 1990 on the fifth programming cycle. A number of other background documents, most of which include an assessment of technical cooperation needs, gave substantive guidance to the discussions, e.g., the draft policy documents published in advance of the VII Party Congress in mid-1991, the major "Report on the Economy of Viet Nam" undertaken jointly by UNDP and the State Planning Committee in 1989-1990, and several UNDP-supported sectoral studies (including those for agriculture, forestry, education, transport, environment and sustainable development, human settlements, water supply, industry and informatics, as well as tourism, civil aviation and Mekong Delta master plans).

4. It would have been desirable to synchronize the fourth country programme fully with the 1991-1995 Plan; however, only the main elements of the Plan were available, in draft form, by early 1991, and the final version is not expected to be approved much before the end of 1991. It may result that the fourth country programme and the National Plan start at about the same time. The Government has specifically requested that 1992-1996 be the fourth country programme period and has chosen the same period for the next UNFPA programme. The fourth country programme makes reference to the Government's long-term Socio-Economic Strategy up to the year 2000, which, in a time of radical change in the planning process made necessary by the move from a command economy to a more market-oriented economy, provides a welcome long-term perspective.

5. There are only a small number of donors active in Viet Nam. Continuing informal consultations have been held with them and with United Nations system organizations on the scope and direction of the proposals for the fourth country programme in order to ensure optimal coordination of assistance. As a consequence of international political factors, multilateral financing institutions such as the International Monetary Fund (IMF), the World Bank and the Asian Development Bank (AsDB) do not have, as of mid-1991, programmes of assistance to Viet Nam. Also, an economic embargo is exercised by potentially important donor countries. However, there are expectations that these barriers may begin to fall, with consequent increases in Official Development Assistance (ODA). UNDP has therefore provided high-level advice to the Government on strengthening its aid management and coordination mechanisms and has made related training arrangements; support will be continued, as required. When circumstances are favourable, the Government is expected to request that an appropriate donor consultation meeting be arranged.

6. With a negative carry-over from the third country programme of $6.2 million, the indicative planning figure (IPF) available for the fourth country programme will be $86.6 million. In addition, at least $12 million

will be available from the United Nations Capital Development Fund (UNCDF), the United Nations Development Fund for Women (UNIFEM) and the Global Environment Facility (GEF), bringing the total fourth country programme resources to $98.6 million. It is expected that by the end of 1991, $43.6 million of this amount will have been committed (nearly all within the four programme areas for the fourth country programme), leaving $55 million for additional new programming.

II. ANALYTICAL COMMENTARY ON THE COUNTRY PROGRAMME

7. While not officially a least developed country (LDC), Viet Nam, with a gross domestic product (GDP) per capita estimated at $190 for a population of 65 million (1989 census), presents many of the development challenges of an LDC. But it has, at the same time, some specific advantages: a highly literate population (88 per cent), with minor gender disparities, and a large pool of technically qualified but often underutilized personnel, both men and women. However, the industrial infrastructure, while fairly diverse, is mostly outdated and the power supply and transportation systems are seriously deficient and inefficient. To be competitive in the midst of changes in the international economic order and to exploit fully what comparative advantages it has, the dominant and possibly long-term theme in Viet Nam's economic and social development is the economic reform process and the many human development concerns which are concomitantly coming to the fore.

8. The four key programme areas (see paragraph 2) focus precisely on the country's highest priority development objectives and the proposed country programme predominantly contains activities in which UNDP possesses distinct strength and comparative advantages over bilateral assistance programmes (e.g., impartiality, access to universal expertise, freedom from political considerations). The distribution of IPF resources foresees that some 60 per cent will be used to support the economic reform process; 30 per cent for key human resources development actions, environment, and human settlements; the remaining 10 per cent will be for cooperation in other priority areas.

9. In the absence of assistance from multilateral financing institutions such as the World Bank, AsDB and IMF, and because of the rather small number of active bilateral donors, UNDP assumes added significance and a pivotal position in Viet Nam's development efforts, especially in the enhancement of the economic reform process. The fourth country programme will continue, adjust appropriately, and expand pertinent activities initiated under the third country programme, including the promotion and support of the private sector, organizing investors' forums, the introduction of the United Nations system of National Accounts, the establishment of a Central Government project evaluation unit, foreign trade strategy development, policy advice on essential pricing interventions and on petroleum and mineral legislation. Also to be continued are Management Development Programme (MDP) activities in macro-economic policy and reform of the legal and public administration systems, advice and training for the State Planning Committee on new planning

techniques, and for the Ministry of Finance and the State Bank to reform the financial and banking systems. The World Bank and the IMF have been involved as executing agencies in many of these key projects. This has led to many direct contacts between the Government and these institutions which will facilitate the start of their own activities when remaining barriers are lifted.

10. The possible negative impact of the economic reforms, including the risk of losing social benefits acquired with much difficulty, is directly addressed under the human resources development activities of the fourth country programme. The programme will see, for example, the improvement and expansion of training of government officials in gender-responsive planning; women-in-development policy development; the conduct of an education sector review and human resource analysis; the completion of a master plan for Quang Ninh province (in connection with the European Economic Community (EEC) and other donor interest in assisting in the reintegration of returning boat people); a needs assessment for the ethnic minorities; the formulation of a labour code; the development of a major employment and human resource development programme; social security system rationalization and development; the strengthening of social statistics methodology and analysis; and poverty alleviation measures using area-focused and grass-roots interventions in collaboration with non-governmental organizations (NGOs) and using United Nations volunteers wherever possible and emphasizing full attention to involvement of women in all respects. Activities will also result in strengthened collaboration with NGOs within the framework of the National Action Plan on Environment, the Partners in Development Programme (including the updating of an NGO directory and the strengthening of the National Focal Point for NGOs), through the National Committee for Disaster Reduction and the National Committee on AIDS.

11. In its effort to concentrate the use of limited country programme funds predominantly in the highest priority areas, Viet Nam has not proposed specific activities in all six areas of focus set out in paragraph 7 of Governing Council decision 90/34 of 23 June 1990; as shown in annex II of document DP/CP/VIE/4, however, the four areas of concentration chosen by the Government are interrelated with the areas of focus.

III. MANAGEMENT OF PROGRAMME IMPLEMENTATION

12. The arrangement whereby UNDP cooperation is managed and coordinated by the State Planning Committee, which is also the designated focal point for World Bank and IMF contacts, as well as for most bilateral agencies, is an effective and appropriate one. While much remains to be done to strengthen the organization and staffing of the State Planning Committee, an excellent working relationship exists which easily permits both routine and ad hoc consultations on programme development and implementation. UNDP is also working in close partnership with the State Committee for Sciences, designated as the focal point for national execution services, on enhancing the capacity of the Government to execute projects.

13. The sectoral planning process is being undertaken in a period of rapid economic transition although information on capital and recurrent resources needs and availability is still lacking. Based largely on UNDP-financed sector studies and master plans, the programme approach modality will focus initially on achieving an internal coherence in UNDP cooperation that is in consonance with the new programme areas and national priorities.

14. The Government is committed to adopting national execution as a significant modality by the end of the fourth country programme. In preparation for national execution, intensive training of future National Directors is in process and a manual on UNDP policies and procedures was introduced in 1990.

15. The utilization of the Transfer of Knowledge Through Expatriate Nationals (TOKTEN) and technical cooperation among developing countries (TCDC) modalities, started during the third country programme, will be further enhanced to take best advantage of the rich experience of Vietnamese living overseas and institutions in South and East Asian countries, specifically in the field of economic reform and transfer of technology. It is hoped that the United Nations Volunteers (UNV) programme will also expand as well as the collaboration with international and national NGOs operating in the country, with a view to fostering the participatory approach to development. The full participation of Viet Nam will be ensured in all appropriate regional and subregional programmes.

16. Drawing upon the experience gained in the implementation of previous country programmes and bearing in mind the need for flexibility during a period of difficult economic transition, the progress of the fourth country programme will be closely monitored in order to ensure that the overall goals are reached, making needed course corrections as demanded by emerging developments. Success indicators have been established for each of the four areas of focus. These will permit an objective review of the programme during the course of its implementation.

IV. RECOMMENDATION

17. The proposed fourth country programme for Viet Nam supports the new economic policies and reforms being adopted and implemented and addresses key human development concerns that are coming to the fore, many as a consequence of the reforms. It gives much greater emphasis than before to policy analysis and advice, and direct support for the implementation of new policies. The programme is well-focused and ensures the best use of UNDP resources in support of national goals and objectives. The Administrator endorses and recommends approval of the country programme.